Souris Basin Development Authority

SOURIS BASIN
DEVELOPMENT AUTHORITY

1989
ANNUAL
REPORT

90-05094/

ANNUAL REPORT

OF

THE SOURIS BASIN DEVELOPMENT AUTHORITY

OF THE

PROVINCE OF SASKATCHEWAN

FOR THE

YEAR ENDED DECEMBER 31, 1989

Souris Basin Development Authority

814 - 4th Street
Estevan, Saskatchewan
S4A 0V9

Phone: 634-4791

March, 1990

To Her Honour
The Honourable Sylvia Fedoruk
Lieutenant Governor of the
Province of Saskatchewan

Dear Madam:

I have the honour to submit herewith the Annual Report of the Souris Basin Development Authority for the year ended December 31, 1989, including the financial statements, therefore, duly certified by the Authority's auditor and in the form approved by the Treasury Board, all in accordance with the Crown Corporations Act, 1978.

I have the honour to be, Madam, your obedient servant,

Harold Martens

Hon. Harold A. Martens
Minister Responsible
Chairman of the Board
Souris Basin Development Authority

SOURIS BASIN DEVELOPMENT AUTHORITY

BOARD OF DIRECTORS

GOVERNMENT AFFILIATED DIRECTORS

Hon. Harold A. Martens, Regina
Chairman, Minister in Charge

G.D. Hill Q.C. Regina
President, SaskPower,
Vice Chairman, President &
Chief Executive Officer,
Souris Basin Development Authority

D. Stankov, FCA, Regina
Chairman, SaskPower

V.C. Fowke, FCA, Regina
Vice-President, SaskPower

NON GOVERNMENT DIRECTORS

R.W. Henders, B.Sc. Ph., Estevan

G. Ross, Estevan

R.W. Young, Alameda

E.B. Campbell, P.Eng., Regina

SECRETARY OF THE BOARD

K.D. Wellman Q.C., Regina
General Counsel and Secretary
SaskPower

SOURIS BASIN DEVELOPMENT AUTHORITY

REPORT FROM THE PRESIDENT

The 1989 year of operation for the Souris Basin Development Authority has been one marked by significant accomplishments on the Rafferty-Alameda Project itself and by procedural concerns related to ambiguities in the federal government's environmental assessment process.

During 1989, significant land acquisition took place for the Rafferty Reservoir and for mitigation purposes. By year end, sufficient quantities of land had been purchased to fully mitigate the impacts on the PFRA Estevan-Cambria Community Pasture. As well, 20 quarter sections south of Hitchcock had been acquired for wildlife mitigation and enough land had been purchased for reservoir filling to begin in 1990. All privately held lands were acquired through negotiations and I am pleased to report that, to date, compulsory acquisition has not been required.

During 1989 detailed mitigation plans pursuant to licenses issued for the Rafferty-Alameda Project were filed with the appropriate regulatory authorities. Detailed mitigation strategies for reducing impacts on waterfowl, fish and the "threatened" Baird's Sparrow and Ferruginous Hawk were completed. As well, during 1989 the Basin Management Plan required under the Saskatchewan Ministerial Approval was completed and filed with Saskatchewan Environment and Public Safety. Early in the year, a Soil, Water and Wetlands Discussion Paper was prepared under the auspices of the Souris Basin Development Authority and released to the public by the government to solicit discussion. The paper was prepared in response to a perceived need for detailed discussion of this complex issue.

Throughout 1989, procedural questions were raised regarding the Federal Environmental Assessment Review Process (EARP). In April, Mr. Justice Bud Cullen ruled that contrary to practices followed by the federal government, these EARP Guidelines were not voluntary but mandatory. This ruling created difficulties for the Rafferty-Alameda Project. With a quashed license construction was halted during the summer while Environment Canada reviewed the project. In August, a new federal license was issued for the project and construction of the Rafferty Dam resumed immediately. A second challenge was made to the manner in which the federal Minister of Environment administered EARP. A decision was rendered by the Federal Court on December 28, 1989 confirming that the federal government had not properly followed the EARP guidelines prior to issuing the second license.

By freeze-up, the Rafferty Dam was approximately 65% complete. Considerable progress was made on placement of the embankment between the time when construction resumed on August 31, 1989 and when the weather conditions made it too cold to continue. At year end, the first phase of the construction of the Low Level Outlet was complete and work was progressing on the construction of the spillway. Sufficient quantities of fill had been placed on the Rafferty Dam such that it would be able to handle the flood of record on the Souris River in 1990 should it occur.

George D. Hill, Q.C.
President and
Chief Executive Officer

CHARTERED ACCOUNTANTS
MATCHETT, POTTS & SEIPP
1130 - 3RD STREET, ESTEVAN, SASK. S4A 0R7 • TELEPHONE 634-2603

AUDITORS' REPORT

To the Members of the Legislative Assembly
of the Province of Saskatchewan

We have examined the statement of financial position of Souris Basin Development Authority as at December 31, 1989, and the statement of operations and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1989, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Matchett, Potts & Seipp

MATCHETT, POTTS & SEIPP
ESTEVAN, SASKATCHEWAN
MARCH 16, 1990

SOURIS BASIN

DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS

SOURIS BASIN DEVELOPMENT AUTHORITY

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 1989

	1989	1988
ASSETS		
CASH	$ 664,555	$1,943,978
ACCOUNTS RECEIVABLE (Note 3)	19,132	20,083
CONTRACT ADVANCES RECEIVABLE (Note 4)	2,578,226	376,467
LAND DEPOSITS	7,000	24,000
	$3,268,913	$2,364,528
LIABILITIES & EQUITY		
LIABILITIES		
ACCOUNTS PAYABLE (Note 5)	$3,267,613	$2,364,528
DEFERRED REVENUE	1,300	---
	$3,268,913	$2,364,528
EQUITY		
RETAINED EARNINGS	---	---
	$3,268,913	$2,364,528

(SEE ACCOMPANYING NOTES)

SOURIS BASIN DEVELOPMENT AUTHORITY

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1989

	1989	1988
REVENUE		
CONTRACT REVENUE EARNED	$18,801,759	$18,315,875
INTEREST REVENUE	150,126	84,166
LAND LEASEBACK REVENUE	50,254	22,079
	$19,002,139	$18,422,120
EXPENSES		
COST OF CONTRACTS	$18,078,023	$17,581,054
GENERAL & ADMINISTRATION	$ 902,501	808,723
INTEREST EXPENSE	21,615	32,343
	$19,002,139	$18,422,120
NET EARNINGS	---	---
RETAINED EARNINGS BEGINNING OF YEAR	---	---
RETAINED EARNINGS END OF YEAR	$ ---	$ ---

(SEE ACCOMPANYING NOTES)

SOURIS BASIN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1989

1. Status of the Corporation

The Souris Basin Development Authority was established by Order in Council 270/86 and continues under the provisions of part one of The Crown Corporations Act, 1978. The mandate of the Authority is to coordinate and manage the design and construction of the Rafferty and Alameda Dam projects as the agent for Saskatchewan Water Corporation. Pursuant to the agency agreement between the Authority and Saskatchewan Water Corporation, the Corporation will fund the Authority for all costs incurred (net of other revenue) as they relate to the agreement. These projects are multi-purpose in nature involving several Government Departments, Agencies and Crown Corporations.

2. Significant Accounting Policies

The Souris Basin Development Authority's accounting policies are in accordance with generally accepted accounting principles. The following summary of accounting policies describes the accounting methods and practices considered to be significant to the Authority's Financial Statements:

(i) Contract Revenue and Cost Recognition

Contract Revenue Earned - advances are recognized as contract revenue on the basis of total expenses incurred (net of other revenue) during the year.

Cost of Contracts-includes all direct costs determined using the percentage-of-completion method.

3. Accounts Receivable

	1989	1988
Expense recoveries	$ 7,998	$15,000
Expense advances	6,334	5,083
Leaseback revenue	4,800	---
	$19,132	$20,083

4. **Contract Advances Unearned (Receivable)**

	1989 (Cumulative)	1988 (Cumulative)
Total Advances		
Sask Water	$39,100,000	$22,600,000
City of Minot	100,000	---
	$39,200,000	$22,600,000
Less: Total Costs Incurred (Net of Other Revenue)	41,778,226	22,976,467
	($2,578,226)	($376,467)

5. **Accounts Payable**

	1989	1988
Contract Payables	$580,145	$100,456
General & Administration Payables	43,706	2,520
Contract Accruals	1,417,432	1,334,660
General & Administration Accruals	11,110	35,026
Contract Holdbacks	1,215,220	891,866
	$3,267,613	$2,364,528

6. **Remuneration of Directors**

During 1989, the four non government directors received total remuneration amounting to $1,600 (1988-$2,600). The government affiliated directors received no remuneration from the Authority.

7. **Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled Departments, Agencies, and Corporations with which the Authority is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms except as described below.

The Authority has entered into an agency agreement with the Saskatchewan Water Corporation whereby the Authority undertakes to plan, organize, design and construct the Rafferty and Alameda Dam Projects; in turn the Corporation is to provide consulting services out of its own resources without further consideration within the limits of its own staff, expertise, and facilities currently in place. To the extent the Corporation incurs costs for contract personnel or facilities to provide these services, they shall be reimbursed for the cost by the Authority.

8. **Leases**

The Authority has entered into operating lease agreements with the following minimum lease payments:

1990	$54,988
1991	13,420
1992	---
1993	---
1994	---

9. **Subsequent Event**

On January 26, 1990 construction activities on the Rafferty Dam were halted and initiation of the Rafferty-Boundary Diversion Channel and the acquisition of land for and the construction of the Alameda Dam were deferred by agreement between Saskatchewan Water Corporation and the Government of Canada resulting from a Federal Court order requiring the Federal Minister of the Environment to appoint an environmental assessment panel to conduct a further review of the project. Certain construction activities on Rafferty Dam will continue to ensure the safety of the public and the stability of the dam structure and other works, including downstream channelization, causeways and mitigation will continue.